

SENATE BILL REPORT

E3SHB 2939

As Reported By Senate Committee On:
Water, Energy & Environment, February 23, 2006
Ways & Means, February 27, 2006

Title: An act relating to creation of the energy freedom program.

Brief Description: Establishing the energy freedom program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Grant, Dunshee, Linville, Kessler, Upthegrove, Kilmer, Ericks, Hasegawa, P. Sullivan, Santos, Green, Springer, Conway, Simpson and Hudgins).

Brief History: Passed House: 2/11/06, 68-30.

Committee Activity: Water, Energy & Environment: 2/22/06, 2/23/06 [DPA-WM].
Ways & Means: 2/27/06 [DPA, w/oRec].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Delvin, Fraser, Honeyford, Mulliken and Regala.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller, Schoesler and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug and Roach.

Staff: Brian Sims (786-7772)

Background: According to a 2002 study by the National Renewable Energy Laboratory, there are at least 21 active loan programs in 18 states that provide low-cost financing for renewable fuels. Some programs are funded by revolving loan funds that were established with petroleum-overcharge settlements, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. Total funding for state loan programs range from \$200 thousand to \$200 million per year.

Summary of Amended Bill: The Energy Freedom Program is established within the Department of Agriculture. Political subdivisions and private entities, including economic development councils, may participate in the program. Assistance may include loans, leases, product purchases, and other forms of financial and technical assistance. The maximum assistance amount is \$5 million per application. Eligible projects include the construction of facilities, either fixed or mobile, to convert farm products or wastes into electricity or gaseous and liquid fuels or other coproducts associated with such conversion. Eligible projects also include the construction of facilities used to store or distribute such products.

Assistance Criteria. An application may be approved only if the director of the Department of Agriculture, in cooperation with the Department of Community Trade and Economic Development, finds the following:

- The project converts farm products or wastes directly into electricity or into gaseous or liquid fuels or other coproducts associated with such conversions;
- The project demonstrates technical feasibility and probable business success;
- The project produces long-term economic benefits to the state or its regions or communities;
- The project does not require continuing state support;
- The assistance will result in new jobs, job retention, or higher incomes for the citizens of the state;
- The assistance is accompanied by private investment;
- The state is provided an option to purchase a portion of the fuel or feedstock to be produced;
- The project will increase the energy independence or diversity for the state;
- The project, other than distribution and storage projects, will use feedstocks produced in the state;
- Any product will meet accepted national or state standards;
- The application provides for adequate reporting and audits; and
- For applications seeking direct financial assistance, the applicant is unable to secure adequate financing from other sources.

Agreements. The director must enter into agreements with approved applicants to fix the terms and rates of the assistance, to minimize the costs to the applicants, and to encourage the establishment of a viable bioenergy industry. The agreements must include provisions to protect the state's investment and any appropriate best management practices developed by the Department of General Administration.

Application Process. The director may establish policies and procedures as necessary in order to process, review, and approve applications. The director must consult with those agencies having expertise in this area, including Washington State University, the University of Washington, the Department of Ecology, the Department of Agriculture, and the Washington State Conservation Commission.

The Energy Freedom Account. The account is created in the State Treasury. Receipts from appropriations made to the account, as well as loan payments of principal and interest from loans made under the program, must be deposited in the account. Monies in the account can

only be spent after appropriation. The department's administrative costs may not exceed three percent of the total funds available for this program.

Reports to Legislature. The director shall report to the Governor and to the Legislature on the status of the loan program by December 1, 2006; December 1, 2007; and December 1, 2009.

Public Disclosure. Financial, commercial, and proprietary information in the program applications is exempt from public disclosure.

Findings. Among other things, the Legislature finds that dependence on petroleum-based fuels increases energy costs for citizens in the state, that biodiesel results in significantly less air pollution than traditional diesel, and that improper disposal of organic waste from farms can have a significant impact on water quality.

Ways & Means Amended Bill Compared to Water, Energy & Environment Amended Bill: The Ways and Means amendment makes a technical correction.

Water, Energy & Environment Amended Bill Compared to Original Bill: The underlying bill is stricken and the text of ESSB 6501 is inserted. Co-products associated with the conversion of farm products into liquid fuels is added. It is clarified that fixed and mobile facilities are eligible projects.

Appropriation: None.

Fiscal Note: Available on original bill.

Committee/Commission/Task Force Created: Yes.

Effective Date: The bill takes effect on July 1, 2006.

Testimony For: We support this bill, but like the similar ESSB 6501 better because it has a more streamlined process and has more flexibility in loans. This bill will help prove that there is a market for renewable energy and biofuel. To get these projects under way, the state will have to be a partner. As we move in the direction of renewable fuel projects, it is important to make sure that the workers for these projects are considered as well. Wages and apprenticeship programs should be part of these programs.

Testimony Against: None.

Who Testified: PRO: Jay Gordon, WA State Dairy Fed; Kevin Fullerton, Institute for Washington's Future; Rich Feldman, Apollo Alliance of Washington; Dave Johnson, WA State Bldg. and Construction Trades Council; Terry Tilton, WA State Bldg. and Construction Trades Council.